

Message Text

SECRET

PAGE 01 ABU DH 01448 01 OF 02 160841Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----160849Z 015395 /20

P R 160635Z MAY 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 6077
INFO AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY CAIRO
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TRIPOLI
AMEMBASSY TOKYO

S E C R E T SECTION 1 OF 2 ABU DHABI 1448

EXDIS

DEPT PASS BAGHDAD

E.O. 11652: GDS
TAGS : ENRG, TC
SUBJECT : UAE VIEWS ON RECENT ENERGY DEVELOPMENTS
LMEF: ABU DHABI 1299 (NOTAL)

1. SUMMARY: UAE OIL MINISTER UTAYBA CONFIRMS THAT UAE HAS
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TOLD SAUDIS THAT IT WILL NOT PUT ITS SHUT-IN CAPACITY INTO PRO-
DUCTION AT THIS TIME, DENIES THAT UAE OR SAUDIS HAVE REACHED
COMPROMISE ON OIL PRICES AS RESULT VENEZUELAN PRESIDENT PEREZ
VISIT, WELCOMES PRESIDENT CARTER'S RECENT ENERGY MESSAGE,
AND REPORTS THAT IRAQIS TRIED USE RECENT CAIRO OAPEC CON-
FERENCE AS FORUM TO PUSH OIL EMBARGO AS WEAPON TO COUNTER
US ANTI-BOYCOTT LEGISLATION. END SUMMARY.

2. FOLLOWING UP ON OUR BRIEF CONVERSATION ON MAY 1 AT TIME OF VENEZUELAN PRESIDENT PEREZ' VISIT TO ABU DHABI (REFTEL), OIL MINISTER UTAYBA MET WITH ME ON MAY 15 TO DISCUSS RECENT ENERGY RELATED DEVELOPMENTS. OUR MEETING HAD BEEN POSTPONED BY HIS ABSENCE FROM UAE FOR OAPEC CONFERENCE FOLLOWED BY SEVEN DAY MOURNING PERIOD BECAUSE OF DEATH OF KHALID, ELDER BROTHER OF UAE PRESIDENT SHAIKH ZAYID.

3. UAE OIL PRODUCTION; UTAYBA CONFIRMED THAT HIS VISIT TO RIYADH ON APRIL 30 HAD BEEN TO DELIVER THE UAE'S REPLY TO PRINCE FAHD'S LETTER LAST FEBRUARY TO SHAIKH ZAYID WHICH ASKED THAT THE UAE PUT ITS REMAINING SHUT-IN CAPACITY INTO PRODUCTION. UTAYBA SAID THE UAE REPLY WAS THAT IT COULD NOT PUT ITS SHUT-IN CAPACITY INTO PRODUCTION IMMEDIATELY AND THAT THIS WOULD TAKE TIME. THE UAE MEANWHILE WOULD GO AHEAD WITH ITS PREVIOUSLY-PLANNED, STAGED GROWTH IN PRODUCTION. I TOOK THIS TO BE A POLITICAL TURNDOWN.

4. PEREZ VISIT: THOUGH BRIEF, PEREZ HAD MADE A GOOD IMPRESSION BECAUSE OF HIS WARM AND FRIENDLY MANNER. PEREZ WAS KEEN TO MAINTAIN OPEC UNITY AND UTAYBA DESCRIBED HIM AS MUCH MORE OF A MODERATE THAN HIS KUWAITI OR QATARI COUNTERPARTS. WHILE UAE SIDE HAD REITERATED TO PEREZ THAT IT TOO WAS STRONGLY IN FAVOR OF OPEC, IT FELT THAT 5 PERCENT INCREASE WAS PROPER FIGURE AND THAT IT WOULD CONTINUE ITS CLOSE COOPERATION AND COORDINATION WITH SAUDI ARABIA.

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UTAYBA DENIED THAT UAE HAD REACHED ANY COMPROMISE ON OIL PRICES AS RESULT PEREZ VISIT.

5. OPEC PRICE COMPROMISE: UTAYBA SAID PEREZ' VISIT HAD BEEN PRECEDED BY AN ALGERIAN INITIATIVE WHICH CALLED FOR HAVING A UNIFIED OPEC INCREASE OF 8 PERCENT DURING PERIOD MAY 1 TO SEPT. 30. BEFORE SEPTEMBER

30, OPEC MEMBERS WOULD MEET AGAIN TO DECIDE ON ADDITIONAL INCREASE FOR BALANCE OF 1977 AND CY 1978. UAE AND SAUDIS HAD REJECTED THIS ALGERIAN PROPOSAL BECAUSE IT WOULD MEAN AN OVERALL INCREASE IN EXCESS OF 10 PERCENT. VENEZUELAN PRESIDENT PEREZ HAD PROPOSED A VARIANT OF THIS. PEREZ HAD SAID THAT HE HAD A COMMITMENT FROM OPEC ELEVEN TO FOREGO A 5 PERCENT INCREASE BEGINNING JULY 1. TO SHOW OPEC GOOD WILL TOWARD SAUDI ARABIA AND THE UAE, THE OPEC ELEVEN WERE TO MAKE THIS POSITION PUBLIC ON MAY 20 OR JUST PRIOR TO PRINCE FAHD'S VISIT TO WASHINGTON. IT WAS PEREZ' HOPE THAT IN RETURN FOR THIS

GESTURE, SAUDIS AND UAE WOULD RAISE THEIR PRICES TO NARROW
THE PRICE GAP AND COME CLOSER TO HAVING OVERALL OPEC PRICE UNITY.
NOTING STRONG DENIAL ON MAY 14 BY KUWAITI OIL MINISTER
KAZIMI OF MIDDLE EAST ECONOMIC SURVEY REPORT THAT OPEC

ELEVEN INTENDED FOREGO 5 PERCENT INCREASE, UTAYBA SAID
HE DID NOT KNOW WHETHER PEREZ HAD BEEN CORRECT IN HIS
ASSERTION THAT OPEC ELEVEN WILLING FOREGO 5 PERCENT
INCREASE, OR IF KUWAITIS FEELING HEAT OF IRAQI AND IRANIAN
PRESSURE. IN ANY EVENT, HE AFFIRMED THAT IT REMAINS
SAUDI AND UAE POSITION TO ADHERE TO 5 PERCENT FIGURE
AT THIS TIME. HE DID NOT ANTICIPATE ANY FURTHER CONSUL-
TATION ON OIL PRICE SITUATION WITH YAMANI UNTIL AFTER
PRINCE FAHD RETURNS FROM HIS VISIT TO WASHINGTON.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----160848Z 015424 /10

P R 160635Z MAY 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 6078
INFO AMEMBASSY ALGIERS
UNINT BAGHDAD 139
AMEMBASSY CAIRO
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
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S E C R E T SECTION 2 OF 2 ABU DHABI 1448

EXDIS

DEPT PASS BAGHDAD

6. US ATTITUDE ON OIL PRICES: UTAYBA WELCOMED PRESIDENT CARTER'S APRIL 18 AND APRIL 20 STATEMENTS ON ENERGY. OBVIOUSLY, IF US DID NOT CURB INCREASE IN IMPORTS, IT WOULD UNDERCUT WHAT SAUDIS AND UAE HAVE TRIED TO DO
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IN RESTRAINING OIL PRICES. HE WONDERED, HOWEVER, WHETHER GOAL OF REDUCING US PETROLEUM IMPORTS TO ABOUT 6 MILLION BPD BY 1985 WAS REALISTIC ONE. HE THOUGH 1995 MIGHT BE MORE REALISTIC. IN VIEW OF PRESIDENT'S PROPOSAL TO HAVE WELLHEAD TAX ON DOMESTIC US CRUDE EQUAL TO DIFFERENCE BETWEEN US DOMESTIC CONTROLLED PRICE AND WORLD PRICE, UTAYBA ALSO ASKED IF THIS DID NOT MEAN A CHANGE IN US ATTITUDE TOWARD HIGHER OPEC OIL PRICES. I SAID THAT USG STRONGLY BELIEVES CONTINUED RESTRAINT ON OIL PRICES IS NECESSARY TO PRESERVE INTERNATIONAL ECONOMIC HEALTH. POINT HAD BEEN REITURATED BY THE PRESIDENT AS RECENTLY AS TWO DAYS AGO DURING PRESENTATION OF CREDENTIALS BY NEW UAE JTBASSADOR IN WASHINGTON. AS FAR AS WELLHEAD TAX ON EXISTING SUPPLIES OF US DOMESTIC OIL WAS CONCERNED, IT WAS PROPOSED IN ORDER TO REMOVE AN ARTIFICIAL PRICE DISTORTION.

7. OAPEC: UTAYBA SAID THAT RECENT OAPEC CONFERENCE IN CAIRO HAD WASTED MUCH OF ITS TIME ARGUING WITH THE IRAQIS OVER USING OIL AS WEAPON TO CTANTER US LEGISLATION AGAINST ARAB BOYCOTT. IRAQIS HAD PROPOSED THREAT OF OIL EMBARGO TO COMBAT BOYCOTT LEGISLATION. UTAYBA SAID HE AND YAMANI HAD ARGUED THAT ARAB BOYCOTT NOT ISSUE DEALING WITH OIL EXPORTS BUT WITH IMPORTS OF GOODS AND SERVICES FROM US. SINCE BOYCOTT WAS BASED ON POLITICAL AND NOT ECONOMIC CONSIDERATIONS, IT SHOULD BE RAISED BY FOREIGN MINISTERS, NOT PETROLEUM MINISTERS. IRAQIS HAD ALSO BEEN REMINDED THAT THEY HAD BACKSLIDED WHEN ARABS HAD APPLIED 1973 OIL EMBARGO, AND WERE NOW HARDLY IN POSITION TO TALK ABOUT USING OIL AS WEAPON FIGHT US BOYCOTT LEGISLATION. UTAYBA SAID ONLY CONSTRUCTIVE THING TO EMERGE FROM OAPEC CONFERENCE WAS AGREEMENT TO HAVE MEETING OF FIRST ARAB ENERGY CONFERENCE IN ABU DHABI IN SPRING OF 1979. JUST AS WESTERN WORLD HAD HAD ENERGY CONFERENCES TO DISCUSS ALTERNATIVE FORMS OF ENERGY, ARABS NOW PLANNED ON DOING SAME THING.
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DICKMAN

NOTE BY OC/T: NOT PASSED BAGHDAD.

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Message Attributes

Automatic Decaptioning: Z
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Sent Date: 16-May-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: GS
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Expiration:
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Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
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TAGS: ENRG, TC, VE, OPEC, (PEREZ, CARLOS ANDRES)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/71354693-c288-dd11-92da-001cc4696bcc
Review Markings:
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22 May 2009
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